

**WATERWORKS DISTRICT NO. 8  
OF WARDS 3 AND 8 OF  
CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana**

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**Annual Financial Report  
June 30, 2004 and 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-22-04

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*Founded in 1978*

## **BROUSSARD & COMPANY**

**CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.**

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### **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Waterworks District No. 8 of Wards 3  
and 8 of Calcasieu Parish, Louisiana  
Lake Charles, Louisiana

We have audited the financial statements of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners  
Waterworks District No. 8 of Wards 3  
and 8 of Calcasieu Parish, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated September 24, 2004, on our consideration of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control structure and compliance with laws and regulations. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Broussard & Company*

Lake Charles, Louisiana  
November 2, 2004

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

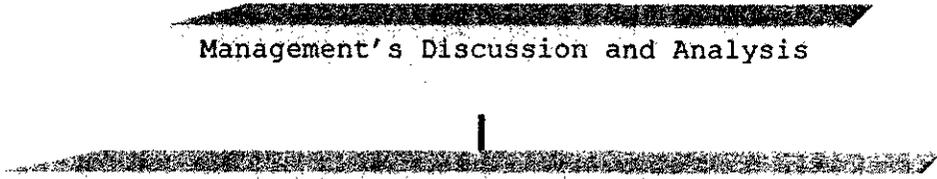
The Management's Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- ★ The District's assets exceeded its liabilities at the close of fiscal year 2004 by \$2,347,894 which represents a 0.01% decrease from last fiscal year. Of this amount, \$1,210,043 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- ★ The District's revenue decreased \$56,957 (or 7.3%) and the net results from activities increased by \$94,083. Of this increase \$127,324 was due to a decrease in repairs and maintenance expense of and a decrease in miscellaneous income of \$38,059.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



Management's Discussion and Analysis

Basic Financial Statements

These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet (pages 7 - 8) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 9) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 10 - 11) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

	2004	2003	2002
Current and other assets	\$ 2,438,181	\$ 2,569,698	\$ 2,584,891
Capital assets	3,449,324	3,554,362	3,679,544
<b>Total assets</b>	<b>5,887,505</b>	<b>6,124,060</b>	<b>6,264,435</b>
Other liabilities	314,720	407,561	307,540
Long-term debt outstanding	3,249,790	3,368,317	3,476,913
<b>Total liabilities</b>	<b>3,564,510</b>	<b>3,775,878</b>	<b>3,784,453</b>
<b>Net assets:</b>			
Invested capital assets, net of debt	525,050	653,584	708,775
Restricted	587,902	624,352	706,521
Unrestricted	1,210,043	1,070,246	1,064,686
<b>Total net assets</b>	<b>\$2,322,995</b>	<b>\$2,348,182</b>	<b>\$2,479,982</b>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District decreased by \$25,187, or 1.1%, from June 30, 2003 to June 30, 2004.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 566,791	\$ 575,008	\$ 564,693
Operating expenses	<u>554,261</u>	<u>689,933</u>	<u>512,875</u>
Operating income (loss)	<u>12,530</u>	<u>(114,925)</u>	<u>51,818</u>
Non-operating revenues (expenses)	<u>(37,717)</u>	<u>(16,875)</u>	<u>(8,027)</u>
Net increase (decrease) in net assets	<u>\$ (25,187)</u>	<u>\$ (131,800)</u>	<u>\$ 43,791</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2004, the District had \$3,449,324, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (See Table below). This amount represents a net decrease (including additions and deductions) of \$105,038, or 3.0%, over last year.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Land and Right of Ways	21,150	\$ 21,150	\$ 21,150
Construction in Progress	- 0 -	- 0 -	187,603
Plant and Distribution System	5,163,641	5,142,294	4,925,200
Furniture, Fixtures, and Equipment	116,239	129,295	126,427
Less Accumulated Depreciation	<u>(1,851,706)</u>	<u>(1,738,377)</u>	<u>(1,580,836)</u>
Totals	<u>\$ 3,449,324</u>	<u>\$ 3,554,362</u>	<u>\$ 3,679,544</u>

This year's Major Capital additions included above were:

- Two new trucks \$26,916

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

**Debt**

The District had \$3,369,796 in bonds outstanding at year-end, compared to \$3,478,317 last year, a decrease of 3.1 %. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue Bonds	\$ 1,989,790	\$ 2,053,317	\$ 2,116,913
General Obligation Bonds	1,380,000	1,425,000	1,465,000
Totals	<u>\$ 3,369,790</u>	<u>\$ 3,478,317</u>	<u>\$ 3,589,913</u>

The District's Series 2000 General Obligation bonds are BBB rated and Series 1997 Revenue Refunding bonds are un-rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathleen Compton, Office Manager, Waterworks District No. 8 Of Wards 3 And 8 of Calcasieu Parish.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Balance Sheet  
As of June 30,**

<b>ASSETS</b>	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and equivalents	441,002	344,531
Investments	498,199	493,162
Receivables (net of allowances for uncollectibles of \$2,795 for 2004 and \$2,795 for 2003):		
Taxes	1,193	2,388
Water sales	50,078	55,941
Unbilled water sales	7,807	11,609
Other receivables	241	59,987
Prepaid expense	12,954	11,549
Total Current Assets	<u>1,011,474</u>	<u>979,167</u>
<b>RESTRICTED ASSETS</b>		
Cash and equivalents	1,062,133	1,108,783
Investments	233,494	344,766
Total Restricted Assets	<u>1,295,627</u>	<u>1,453,549</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Plant and distribution system	5,163,641	5,142,294
Furniture, fixtures, and equipment	116,239	129,295
Construction in progress	-	-
	5,279,880	5,271,589
Less accumulated depreciation	<u>(1,851,706)</u>	<u>(1,738,377)</u>
	3,428,174	3,533,212
Land	21,150	21,150
Net Property, Plant, and Equipment	<u>3,449,324</u>	<u>3,554,362</u>
<b>OTHER ASSETS</b>		
Other assets	150	150
Deferred charges, bond issue costs, net	130,930	136,832
Total Other Assets	<u>131,080</u>	<u>136,982</u>
<b>TOTAL ASSETS</b>	<u><u>\$5,887,505</u></u>	<u><u>\$ 6,124,060</u></u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Balance Sheet (Continued)  
As of June 30,**

	<b>2004</b>	<b>2003</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,330	\$ 126,145
Accrued wages	28,557	25,056
Payroll and sales tax payable	4,752	4,937
<b>Total Current Liabilities</b>	<b>52,639</b>	<b>156,138</b>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Accrued interest	29,499	30,650
Current portion of revenue bonds	70,000	65,000
Current portion of general obligation bonds	50,000	45,000
Customer deposits	112,582	110,773
<b>Total Current Liabilities (Payable From Restricted Assets)</b>	<b>262,081</b>	<b>251,423</b>
<b>LONG-TERM LIABILITY</b>		
Revenue bonds payable (net of current portion, unamortized discount, and deferred loss)	1,919,790	1,988,317
General obligation bonds payable (net of current portion)	1,330,000	1,380,000
<b>Total Long-Term Liabilities</b>	<b>3,249,790</b>	<b>3,368,317</b>
<b>Total Liabilities</b>	<b>3,564,510</b>	<b>3,775,878</b>
<b>NET ASSETS</b>		
Investment in capital assets (net of related debt)	525,050	653,584
Restricted for debt service	587,902	624,352
Unrestricted	1,210,043	1,070,246
<b>Total Net Assets</b>	<b>2,322,995</b>	<b>2,348,182</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,887,505</b>	<b>\$ 6,124,060</b>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Statements of Revenue, Expense, and Changes in Net Assets  
For the Years Ended June 30,**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 537,932	\$ 545,176
Tap fees	9,900	14,100
Late charges	18,959	15,732
Total Operating Revenues	<u>566,791</u>	<u>575,008</u>
<b>OPERATING EXPENSES</b>		
Accounting and audit	13,834	14,484
Legal fees	-	1,000
Commissioner's fees	3,420	3,660
Office supplies and postage	12,042	10,589
Plant supplies	37,981	37,549
Miscellaneous	7,363	7,354
Repairs and maintenance	49,255	176,579
Insurance	59,290	53,209
Truck expense	10,372	10,880
Telephone	8,989	7,900
Utilities	25,375	24,409
Salaries	141,771	156,209
Payroll taxes	10,775	10,996
Dues and fees	512	1,513
Amortization	6,977	6,730
Depreciation	159,054	157,591
Uniforms and cleaning	3,623	3,632
Equipment rental	16	1,225
Retirement expense	3,612	3,485
Bad debt expense	-	939
Total Operating Expenses	<u>554,261</u>	<u>689,933</u>
<b>INCOME FROM OPERATIONS</b>	12,530	(114,925)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes	105,387	109,150
Interest income	16,596	28,195
Interest and fiscal charges	(196,626)	(224,364)
Miscellaneous income	32,085	70,144
Gain (loss) sale of assets	4,841	-
Total Non-Operating Revenues (Expenses)	<u>(37,717)</u>	<u>(16,875)</u>
<b>CHANGE IN NET ASSETS</b>	(25,187)	(131,800)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,348,182</u>	<u>2,479,982</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>2,322,995</u></u>	<u><u>2,348,182</u></u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA**

**Lake Charles, Louisiana**

**Enterprise Fund**

**Statement of Cash Flows**

**For the Year Ended June 30,**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	575,051	563,084
Payment to suppliers	(323,633)	(269,541)
Payment to employees	(149,045)	(152,068)
Other	(186)	(714)
	<u>102,187</u>	<u>140,761</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments - net of maturities	(7,695)	(13,591)
Sale of investments	113,930	-
Interest income received	16,596	28,265
	<u>122,831</u>	<u>14,674</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital expenditures	(73,040)	(63,692)
Proceeds from sales of capital assets	4,841	-
Principal paid on bonds	(110,000)	(105,000)
Interest paid on bonds	(196,779)	(203,052)
Ad valorem taxes received	106,582	111,281
Miscellaneous income received	91,389	10,351
Increase in customer deposits, net	1,809	3,070
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(175,198)</u>	<u>(247,042)</u>
Net Increase (Decrease) in Cash	49,820	(91,607)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>1,453,315</u>	<u>1,544,922</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>1,503,135</u>	<u>1,453,315</u>
<b>Cash and Cash Equivalents:</b>		
Unrestricted	441,002	344,531
Restricted	1,062,133	1,108,784
	<u>1,503,135</u>	<u>1,453,315</u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Enterprise Fund  
Statement of Cash Flows (Continued)  
For the Year Ended June 30,**

	<u>2004</u>	<u>2003</u>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Income from operations	<u>12,530</u>	<u>(114,925)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	166,031	164,321
(Increase) decrease in accounts receivable	9,665	(8,432)
(Increase) decrease in prepaid expense	(1,405)	(2,553)
Increase (decrease) in accounts payable and other accrued expenses	(84,634)	102,350
Total Adjustments	<u>89,657</u>	<u>255,686</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>102,187</u></u>	<u><u>140,761</u></u>
 <b>Supplement Disclosure:</b>		
Cash paid for interest	<u><u>(196,779)</u></u>	<u><u>203,052</u></u>

The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements  
June 30, 2004 and 2003**

***Note 1 - Summary of Significant Accounting Policies***

The accounting policies of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of the more significant policies:

**A. Financial Reporting Entity**

This report includes all funds which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, Waterworks District No. 8 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana. The District is a component unit of the Calcasieu Parish Police Jury.

**B. Fund Accounting**

The accounts of the district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

The District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”.

The district uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

*Note 1 - Summary of Significant Accounting Policies (Continued)*

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District will not elect to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Fixed Assets

All fixed assets of the proprietary fund are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Pre-construction costs associated with the development of the water system, which includes engineering, legal, and interest costs are capitalized and will be amortized over their estimated useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The following estimated useful lives and methods are used to compute depreciation:

Plant and distribution system	15 - 40 Years	Straight Line
Furniture, fixtures and equipment	5 - 15 Years	Straight Line

Depreciation expense amounted to \$159,054 for the year ended June 30, 2004, and \$157,591 for the year ended June 30, 2003.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

***Note 1 - Summary of Significant Accounting Policies (Continued)***

**D. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Reclassifications**

Certain reclassifications have been made to the June 30, 2004 financial statements in order for them to be better compared to the June 30, 2003 financial statements.

**F. Cash**

The District considers all short-term investments with an original maturity of three months or less to be cash equivalents.

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***Note 2 - Ad Valorem Taxes***

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Parish in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

For the year ended December 31, 2003, taxes of 11.14 mills were levied on property with net assessed valuations of approximately \$9,611,320. Total taxes levied, net of pension funds, were \$105,387. The 11.14 mills were dedicated as follows:

Maintenance fund	6.14 mills
Sinking fund	5.00 mills

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 3 - Changes in Long-Term Debt**

The following is a summary of bond payable transactions of the District for the year ended June 30, 2004:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2003	\$ 1,425,000	\$ 2,053,317	\$ 3,478,317
Bonds retired	(45,000 )	(65,000 )	(110,000 )
Bond discount & deferred loss amortization	-	1,473	1,473
Outstanding at July 1, 2004	<u>\$ 1,380,000</u>	<u>\$ 1,989,790</u>	<u>\$ 3,369,790</u>

Long-term debt at June 30, 2004 consists of the following:

General obligation bonds:

\$1,505,000 General Obligation Waterworks Improvement Bonds, Series 2000, of Waterworks District No. 8 of Wards 3 and 8 of the Parish Calcasieu, Louisiana; dated April 1, 2000; due in annual installments including interest at 5.75% to 8% of \$95,907 to \$144,130 through the year 2020; \$1,380,000

Revenue bonds:

\$2,455,000 Waterworks Revenue Refunding Bonds, Series 1997; dated January 1, 1997; due in annual installments including interest at 3.95% to 5.55% of \$178,645 to \$183,697 through December 1, 2021; net of an amortized discount of \$10,864 and deferred loss of \$29,345. \$ 1,989,790

The District issued the above bonds to refund the revenue bonds that were due to Farmer's Home Administration. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$36,627. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the life of the refunded debt. The balance of the deferred loss net of amortization at June 30, 2004 is \$29,345.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 3 - Changes in Long-Term Debt (Continued)**

The annual requirements to amortize all debt outstanding as of June 30, 2004, are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	50,000	81,108	131,108
2006	50,000	77,107	127,107
2007	55,000	74,233	129,233
2008	60,000	71,070	131,070
2009	65,000	67,620	132,620
2010-2014	400,000	276,288	676,288
2015-2019	560,000	144,512	704,512
2020	140,000	8,260	148,260
Total	<u>\$ 1,380,000</u>	<u>\$ 800,198</u>	<u>\$ 2,180,198</u>

<u>Revenue Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	70,000	108,998	178,998
2006	75,000	105,516	180,516
2007	80,000	101,718	181,718
2008	80,000	97,717	177,717
2009	85,000	93,509	178,509
2010-2014	500,000	392,238	892,238
2015-2019	655,000	233,711	888,711
2020-2023	485,000	41,951	526,951
Total	<u>\$ 2,030,000</u>	<u>\$ 1,175,358</u>	<u>\$ 3,205,358</u>

The general obligation bonds are to be retired from the avails of property taxes levied and collected within the limits of the District.

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 4 - Cash, Cash Equivalents, and Investments**

At June 30, 2004, the District had cash and cash equivalents totaling \$1,503,135 at book balance and \$1,509,304 at collected bank balances.

Type of Cash and Cash Equivalents	Category of Risk			Reported Amount	Fair Value
	1	2	3		
Demand Deposits	\$ 200,000	\$ -0-	\$ 1,309,304	\$ 1,509,304	\$ 1,509,304
Total cash and cash equivalents	<u>\$ 200,000</u>	<u>\$ -0-</u>	<u>1,309,304</u>	<u>\$ 1,509,304</u>	<u>\$ 1,509,304</u>

Type of Investment	Category of Risk			Reported Amount	Fair Value
	1	2	3		
Certificates of Deposit	\$ 100,000	\$ -0-	\$ 157,768	\$ 157,768	\$ 257,768
Total categorized investments	<u>\$ 100,000</u>	<u>\$ -0-</u>	<u>\$ 157,768</u>	<u>\$ 157,768</u>	<u>\$ 257,768</u>

Investments not categorized:

Louisiana Asset Management Pool, Inc.	\$474,132	\$474,132
Total investments	<u>\$731,900</u>	<u>\$731,900</u>

Cash, cash equivalents, and investments can be classified according to the level of risk to the entity. Cash, cash equivalents, and investments are categorized below as an indicator of credit risk.

Category 1 – Insured or registered in the entity’s name, or securities held by the Authority or its agency in the District’s name.

Category 2 – Uninsured and unregistered with securities held by the counter-party’s trust department or agent in the District’s name.

Category 3 – Unsecured and unregistered with securities held by the counter-party, or by its trust department or agent but not in the District’s name.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand. Under state law these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Under state law, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 4 - Cash, Cash Equivalents, and Investments (Continued)**

In accordance with GASB Codification Section I50.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations". Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and Right of Ways	\$ 21,150	\$ - 0 -	\$ - 0 -	\$ 21,150
Construction in Progress	- 0 -	8,147	(8,147)	- 0 -
Capital Assets Being Depreciated:				
Plant and Distribution System	5,142,294	21,347	- 0 -	5,163,641
Furniture, Fixtures, & Equipment	<u>129,295</u>	<u>32,828</u>	<u>(45,884)</u>	<u>116,239</u>
Total Capital Assets being Depreciated	5,271,589	62,322	(54,031)	5,279,880
Less Accumulated Depreciation	<u>1,738,377</u>	<u>159,054</u>	<u>(45,725)</u>	<u>1,851,706</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,533,212</u>	<u>(96,732)</u>	<u>(8,306)</u>	<u>3,428,174</u>
Total Capital Assets, Net	<u>\$3,554,362</u>	<u>\$(96,732)</u>	<u>\$(8,306)</u>	<u>\$3,449,324</u>

**Note 6 - Board of Commissioners' Fees**

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year are as follows:

Teresa Ryan	\$ 780
Helen Duhon	780
Laurie Ezell	420
Rodney Frey	720
Keith Thibodeaux	<u>720</u>
Total	<u>\$ 3,420</u>

**Note 7 - Accumulated Vacation and Sick Leave**

Employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 8 - Restricted Assets**

Restricted assets consist of cash and investments restricted for the retirement of the District's revenue bonds and repayment of refundable customer deposits. Restricted assets as of June 30, 2004 consists of the following:

Construction Fund	\$ 445,516
Bond Sinking Fund	376,846
Depreciation and Contingency Fund	161,444
1997 Reserve Fund	199,111
Customer Deposits	<u>112,710</u>
	<b><u>\$ 1,295,627</u></b>

**Note 9 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

**Note 10 - Deferred Compensation**

The District has adopted a Simple IRA Plan that covers most of their employees with over one year of service. The employee deferrals and employer matching contributions are fully vested and non-forfeitable. The District follows the policy of funding the retirement plan contributions as accrued. During the year employees deferred \$6,138 for the year ended June 30, 2004, and \$6,535 for the year ended June 30, 2003. The matching contributions by the district were \$3,612 for the year ended June 30, 2004, and \$3,485 for the year ended June 30, 2003.

**Note 10 - Subsequent Event**

Ad valorem taxes for maintenance expired January 1, 2004. Approximately \$59,000 in tax revenues will not be recognized in 2005 due to the non-renewal of the maintenance tax. The District is in the process of placing the renewal of the maintenance tax on ballot next year.



Founded in 1978

## **BROUSSARD & COMPANY**

**CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Waterworks District 8 of Wards 3 and 8  
of Calcasieu Parish, Louisiana  
Lake Charles, Louisiana

We have audited the financial statements of the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item B-1.

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Board of Commissioners  
Waterworks District 8 of Wards 3 and 8  
of Calcasieu Parish, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described is not a material weakness.

This report is intended for the information of the management of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, the Legislative Auditor of the State of Louisiana, and the Calcasieu Parish Police Jury and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Broussard & Company*

Lake Charles, Louisiana  
November 2, 2004

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**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2004**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. No instances of noncompliance noted.
3. Reportable conditions in internal control - Refer to B-1, 2004-1.

**B. GAGAS Findings:**

1. 2004-1- Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the District's day-to-day operations.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Summary of Prior Year Findings  
For the Year Ended June 30, 2003**

2003-1 - Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the District's day-to-day operations.